

BUDGET PROPOSALS REPORT FOR ADMINISTRATION & FINANCE SERVICES 2013/14

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget, Housing Revenue Account budget and capital programme for 2013/14, this report sets out the draft revenue budget and capital programme of the Administration and Finance Groups for 2013/14, along with indicative projections for the following two years. Following consideration by Cabinet on 20 December 2012, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 14 February 2013, and the report will include comments received from Policy Overview Committees. At the meeting on 14 February 2013 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2013/14. Full Council will meet to agree the budgets and Council Tax for 2013/14 on 28 February 2013.

The Committee needs to consider the budget proposals as they relate to the Administration and Finance Groups, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report, and comments as appropriate on the combined budget proposals put forward by the Administration and Finance Groups, within the context of the corporate budgetary position.

INFORMATION

Background

1. As reported to Council in February 2012, the budget report for Council Tax setting for 2012/13 contained an initial savings requirement of £12.1m for 2012/13. The budget strategy developed in response to the CSR 2010, which is reliant on the HIP Business Improvement Delivery project, contained challenging savings targets totalling in excess of £60m over the subsequent four year period. Having delivered budgeted savings of around £15.6m in 2010/11, £26.2m in 2011/12 and being well on track to deliver an additional £17.7m savings in 2012/13, initial plans had been developed to deliver the £12.1m savings required in 2013/14. Alongside this, groups were also tasked with reviewing all pressures and a review also commenced of all corporate pressures.

2. Since February 2012, Central Government has published a large number of consultation papers that will potentially impact on Council funding, including a number in relation to Education funding. In addition, the local government finance settlement expected to be issued in late December laid out a new 2 year settlement for local government as well as incorporating fundamental changes to the local government finance system. The estimated impact of these numerous changes on the likely level of Council funding have been incorporated into the draft budget and the budget gap currently stands at £12.8m. However, there is clearly a high degree of uncertainty that will not be removed until the settlement has been analysed in detail. This analysis will be incorporated into the February 2013 Cabinet budget report.
3. The timetable for the development of the 2013/14 budget was brought forward as in previous years with work commencing as soon as the 2012/13 budget was agreed by Council in February 2012. The initial technical consultation for the proposed Business Rates Retention scheme released in July included a commitment to maintain funding stability for local government as far as possible. This provided a basis for the development of the MTFF for 2013/14 building upon the total government funding agreed for 2012/13 and enabled estimation of the likely budget gap for 2013/14 and the plans to bridge this gap to be developed.
4. Work on the development of savings proposals was integrated with service transformation work programmes and managed through the HIP Business Improvement Delivery programme. Over the year, two blocks of six challenge sessions were held covering the three groups, Corporate Budgets, BID cross cutting proposals and the Housing Revenue Account. These sessions focused on the latest in year position, a review of existing and emerging pressures, and progress on the development of savings proposals for 2013/14. As a result of this work the draft 2012/13 budget was comprehensively updated and early draft budget reports were provided to the Leader at the end of July and then to the Cabinet and CMT awayday in November.
5. The structure of the report reflects the budget proposals reported to Cabinet on 20 December 2012, and sets out the aggregate corporate position, followed by the Administration and Finance Groups proposals extracted from the corporate budget.

The Budget and Policy Framework Procedure Rules

6. The consultation on the budget proposals commenced on 21 December 2012 following decisions taken by Cabinet on 20 December 2012.
7. There will be a further consideration by Cabinet of the budget proposals on 15 February 2013, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 28 February 2013, and if approved without further amendment they will be effective immediately.

Corporate Summary

8. While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
9. The budget proposals included in this report represent Cabinet's budget strategy for 2013/14 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2013/14 whilst maintaining balances and reserves at well above the minimum recommended level.
10. The main challenge in delivering a balanced budget for 2013/14, as in the previous two years, is the development of significant savings - around £12.8m, on top of the £60m delivered over the last three years. However, the Council's Business Improvement Delivery Programme is now well established and is driving the delivery of these savings. The month 7 budget monitoring for 2012/13 shows that good progress is being made in responding to this challenge; with the latest year end forecast showing a projected budget underspend of £2,066k and 86% of the 2012/13 savings being on track for delivery.
11. The final funding settlement for 2013/14 has only just been announced, but not yet fully analysed, and so the budget has therefore been drafted on the latest estimated position.
12. Detailed within the draft budget proposals, in addition to the £12.8m savings proposals are £2.4m of corporate reductions, £3.9m of contingency provisions and service pressures and an allowance of £2.9m for inflation.
13. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government.
14. The draft general fund capital programme for 2013/14 amounts to £220m over three years, with £149m of that investment focused on meeting demand for Primary School Places across the Borough. In addition this programme will enable completion of a number of major projects during 2012/13 including the South Ruislip and Hayes End Library Developments and a new Civic Amenity Site at New Years Green Lane.

Administration & Finance Group Budget Proposals

Summary of Key Financial Issues

15. As a result of the Council top tier restructure, the two Groups of Administration and Finance were created and Commissioning and Housing Benefit were transferred from SC&H into the Finance Directorate.

16. Savings of £1.051m have been proposed from the Administration and Finance Groups for 2013/14. These planned savings within both the Administration and Finance Groups are largely being achieved through service efficiencies without impacting on the level of service provided. Of these proposals, £199k relates to the full year effect of savings made in 2012/13, with the remainder made up of revised proposals and newly identified BID projects.
17. Work on the 2013/14 savings proposals has been ongoing throughout 2012/13 and many of the proposals build further on reviews which were designed to meet the 2012/13 savings targets. As a result, many of the savings proposals have either been implemented already or are in the process of being implemented. This will also ensure that in 2013/14 we benefit from the full year effect of the savings.
18. A significant number of Central departments provide support functions and as such the demand on these services is driven by the front line services being supported. There is therefore a limit to the extent to which these support services can be reduced while also continuing to respond to the same level of service demand. This has been achieved to date through business process reengineering and other efficiency work and through prioritising activity on our core business. Continuing to make significant savings in future years will also rely on business process reengineering within the services we support and therefore reducing the demand on Administration and Finance.

Group Revenue Budget 2013/14

19. The movement between the current year's budget and the draft budget requirement for 2013/14 is summarised in Table 1 below. Detail of lines in Table 1 is set out in the following sections and a summary of the savings proposals is included in Appendix A.

Table 1: Group Revenue Budget 2013/14

| | Budget (£000s) |
|---|---------------------------|
| Budget 2012/13 | 23,250 |
| Inflation | 655 |
| Corporate Items | 15 |
| Contingency Allocations | 230 |
| Savings | -1,051 |
| Other Adjustments | 112 |
| Draft Group Revenue Budget 2013/14 | 23,211 |

Development and Risk Contingency

20. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency includes items totalling £400k for 2013/14 for the Administration and Finance Groups.
21. A provision of £400k for the Council's Liability for uninsured claims, where the Council has, under its current Insurance policy, agreed to fund the excess values, which in most cases stand at £100k other than Public Liability which stands at £250k. It is proposed that this contingency be set at the same level set in 2013/14 as the current financial year.
22. The previously held as contingency of £230k for the shortfall in income from schools for payroll services, has now been allocated to base budget to provide a permanent solution.
23. The other adjustments in the table above relate to the transfer of the Commissioning teams to the Finance Directorate from Social Care and Health.

Savings

24. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to Central Government's austerity programme.
25. Savings proposals currently developed total £12.8m for 2013/14 across the council. The total savings figure for each group is net of the redundancy costs contained within their package of proposals. The savings included in the draft budget for Administration and Finance Groups total £1.051m and are included in Appendix A.
26. The majority of the proposals (£714k) relate to BID reviews across the Groups, the bulk of which resulting in restructures to ensure the appropriate resources are in place to deliver services efficiently. Reductions in external expenditure and levies also contribute to the savings proposals with significant reduction to the costs of the provision of external audit services and contributions to the London Borough Grant Scheme. The remainder of the proposals put forward relate to a review of Insurance premiums and provisions and a slight increase in the expected income within Electoral and Registration Services.
27. As the majority of the savings proposed relate to revised proposals which started in 2012/13, many of these changes are being implemented in the current year to ensure the full year effect of savings is delivered in 2013/14.

Fees and Charges

28. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.
29. The inflation assumption included in the budget does not take account of any increase in income from fees and charges. However, within their detailed savings proposals groups will take account of any projected increases as was the case in 2012/13.
30. Charges for advertising in Team Hillingdon have not been increased this year due to continued concerns that, considering the economic climate, an increase to charges could act as a disincentive to local businesses to take out adverts. A benchmarking exercise has also been undertaken and our prices are comparable with other publications and Local Authorities.
31. The majority of charges within the Electoral and Registration service are statutory charges, over which we have no power to make any changes. The remainder of charges for non statutory services were reviewed and deemed to be at an appropriate level in light of benchmarking with other authorities. The saving included in the 13/14 proposals, relates to an expected volume increase rather than increased charges and was done as a result of analysis of trend data from previous years.

SUGGESTED COMMITTEE ACTIVITY

To consider the report and make comments on the detail.

BACKGROUND PAPERS

Medium Term Financial Forecast 2013/14 – 2016/17 – report to Cabinet 20 December 2012